TEXAS STATE DATA CENTER (TSDC)
SERVICE DELIVERY GUIDE

DECEMBER 1, 2004

STATE DATA CENTER SERVICE DELIVERY GUIDE

CONTENTS

Introduction

Purpose

The purpose of this service delivery guide is to provide a documented and improved process for state entities – agencies and institutions of higher education – to assess and procure Information Technology (IT) services from the Texas State Data Center (TSDC). This guide identifies, defines, and clarifies the procedures a state entity will follow, including assessment of the TSDC services offered against identified business requirements and negotiation/awarding of a contract with the TSDC service provider. In addition, this guide includes procedures for submission of a waiver request to the Legislative Budget Board (LBB) based on service assessment results.

Background

The Master Service Agreement (MSA) for IT services provided by the TSDC was signed March 1, 1996. The service provider for the TSDC, which is located in San Angelo, Texas, is Northrop Grumman. TSDC operations have grown and matured since the San Angelo facility initially opened in January 1997. During the last two Texas legislative sessions, legislative mandates have been issued on use of the TSDC for IT services. Texas Government Code, Chapter 2055.061, State Data Center, directs all state agencies and institutions of higher education to utilize the TSDC for data center operations, disaster recovery plan testing, and disaster recovery services.

The TSDC is a state-owned facility established to provide computer operations and disaster recovery services for governmental entities. All major platforms can be supported including large-scale IBM compatible and Sun enterprise mainframes/servers, as well as open systems-based servers and workstations.

TSDC is one of the largest state data centers in the United States with 2500 MIPS (million instructions per second) in mainframe processing power with 15 terabytes of disk storage. The center provides operational and technical support for 126 servers with 39 terabytes of disk storage and also provides facility space for an additional 115 servers.

TSDC Guiding Principles

DIR is committed to developing and managing the most cost effective and efficient consolidated state data operations center for the State. To accomplish this commitment, DIR has established the following guiding principles for operation of the TSDC:

- To facilitate the most cost effective delivery of data center services, contracts will be based on consolidation of data center services rather than collocation of data center services.

- The procurement of data center services from the TSDC is a function of buying a service. DIR, the service provider, and the state entity will collaborate to find the best solution that considers the state entity's existing technology investment and technology standards of the State.
- To facilitate the development of realistic business cost models, all contracts will be established for three to five years beginning December 1, 2004.
- To facilitate the most cost effective delivery of data center services, all future supplemental agreements will use the minimum service level standards as defined in schedule AA of the MSA (Appendix D). State entities that are currently providing verifiable higher service levels internally may specify those same higher service levels in the statement of work (SOW) submitted to the service provider for the development of a proposal.

TSDC Use Requirements

Texas Government Code 2055.061 states no funds appropriated by the Legislature may be expended for entering into or renewing contracts, or issuing purchase orders for data center operations (including disaster recovery) without first obtaining a waiver from the LBB.

DIR recognizes there will be expenditures for hardware, software, and services that are not good candidates for service delivery from TSDC. To enable the State (DIR and LBB) to focus review on those expenditures that are appropriate candidates for service delivery from the TSDC, DIR has provided within this guide a definition of what is and is not data center operations. Definitions for a "significant expenditure" and associated "cost threshold" have also been provided. These definitions form the foundation of the review process to determine if a planned expenditure is a candidate for a TSDC proposal or LBB waiver.

Data Center Operations Definition and Scope

What are Data Center Operations?

To facilitate the review of planned expenditure activities pertaining to data center operations and to facilitate a coordinated waiver request/review process, DIR has established a significant expenditure threshold.

A significant expenditure is a one-time purchase during the fiscal year for expansion or replacement of a single type of data center service component where the cost meets or exceeds the state entity expenditure threshold. Furthermore, a significant expenditure is a series of the same or similar type purchase that will occur multiple times during the fiscal year and the aggregate cost of the purchase during the fiscal year meets or exceeds the expenditure threshold. The expenditure threshold is $200,000, unless the expenditure is related to new or existing disaster recovery services, in which case the expenditure threshold is $0. The total value of the expenditure contract (inclusive of purchase orders and contract extensions) will be applicable in determining if the expenditure meets or exceeds the expenditure threshold.

Significant expenditures for the following service delivery categories meet the definition of expenditures for data center operations as described in Texas Government Code 2055.061:

- new purchase, lease, or rental of data processing hardware (mainframe/server environments) including all peripheral equipment that comprises a system
- extension of a lease or rental of data processing hardware
- new license of data processing software (mainframe/server environments) including, but not limited to operating systems, databases, applications and utilities
- new purchase of data processing services from an outsourcing service provider
- extension of any contracts with a data processing outsourcing service provider
- new purchase of disaster recovery services
- extension of any contract for disaster recovery services
- lease or rent of new, additional floor space, or facilities to house data center operations
- extension of any contract for the lease or rent of floor space or facilities to house data center operations
- creating, expanding, or improving floor space, conditioned power or conditioned heating/AC for housing data processing equipment including facility areas for data processing support personnel
- relocating data processing equipment

What Are Not Data Center Operations?

Expenditures on the following service delivery categories do not require state entities to initiate the proposal or waiver process:

– seat management
– application development and maintenance
– networking infrastructure that is available directly through DIR
– document management information systems
– telephony or PBX
– IT staff augmentation
– IT consulting

Review Criteria Application

The State intends to focus review(s) on planned expenditures that are appropriate candidates for service delivery from the TSDC. To accomplish this, all state entities will use the aforementioned data center operations definition to conduct an internal assessment of planned IT expenditures.

To help mitigate the potential for an emergency IT expenditure, the internal assessment should be conducted at the beginning of each fiscal quarter. Each quarterly assessment should forecast expenditures for a rolling twelve-month period. The intent is to provide sufficient time to accommodate the review and proposal process where applicable. The review and proposal process may be expected to take 3 months for small projects and 4-6 months for large or complex projects.

If the planned expenditure meets the definition of data center operations and the threshold, then the state entity shall follow the process for procurement of TSDC services.

In addition, DIR will proactively focus on specific technology environments during the review process to determine if acquiring data center services through the TSDC will improve cost effectiveness or efficient operations.

Procurement of TSDC Services

Process Overview

The process activities for procuring TSDC services will be completed between DIR and the state entity prior to and after development of a SOW.

Figure 1 depicts an overview of the step-by-step process.

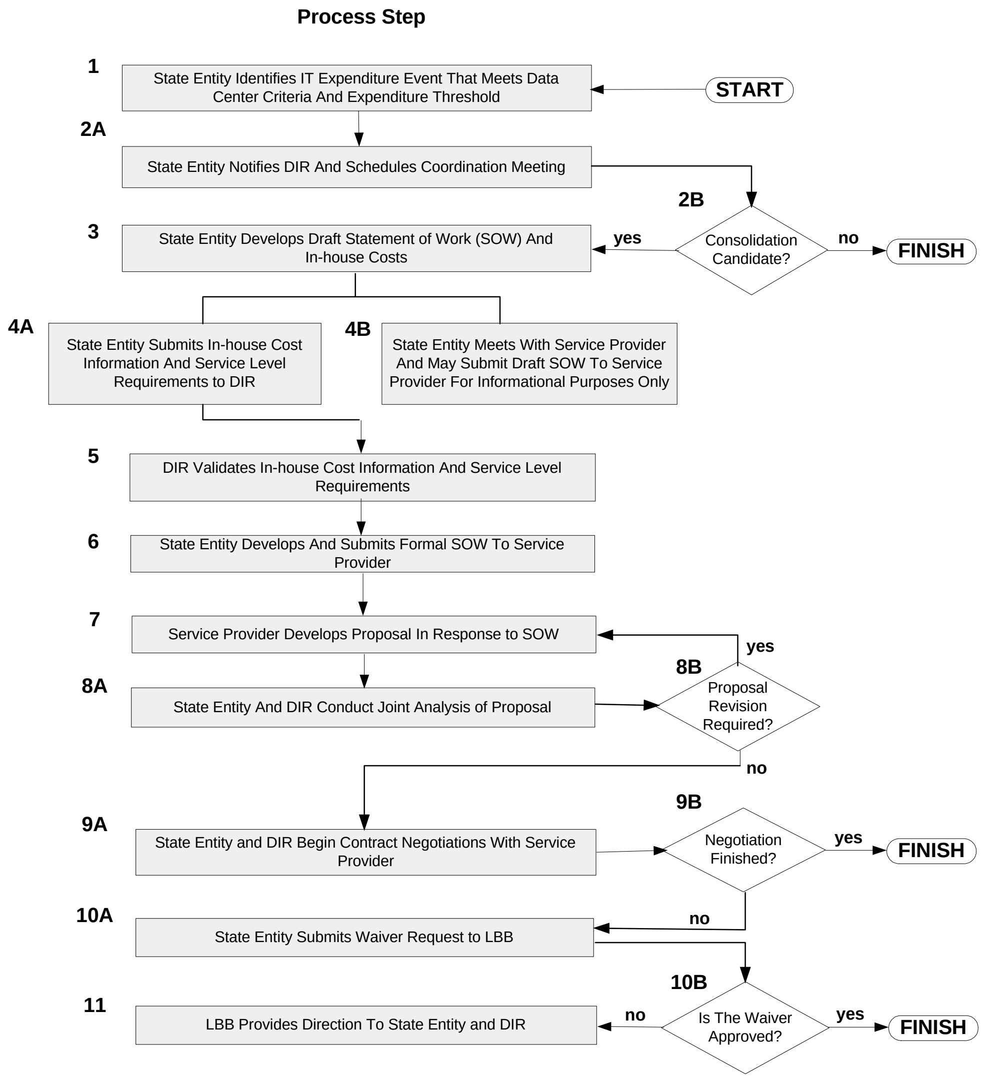

Figure 1: Step-By-Step Process Overview

Process Steps

Each step for procuring TSDC services is as follows:

STEP 1: State entity identifies IT expenditure event that meets data center criteria and expenditure threshold.

At the beginning of every quarter of the fiscal year, each state entity will assess their planned IT acquisitions/expenditures against the data center operations criteria and expenditure threshold. Each quarterly assessment should forecast expenditures for a rolling twelve-month period. If the state entity has a planned acquisition/expenditure that meets the criteria and the expenditure threshold, then the state entity will contact DIR to schedule a coordination meeting. DIR will consider significant expenditures as consolidation candidates in the initial consultation meeting.

Formal notification of a planned expenditure should be sent to:

Ed Serna, Director of Service Delivery
Department of Information Resources
300 W. 15th Street, Suite 1300
Austin, Texas 78701

STEP 2A: State entity notifies DIR and schedules coordination meeting.

Such meeting can be initiated by the state entity or by DIR, but must be initiated with adequate lead-time to facilitate compliance with the following procedures and timeframes. The coordination meeting will establish timeframes as appropriate for preparation of the statement of work, documenting service levels and in-house costs, service provider proposal analysis, and contract negotiations and transition.

STEP 2B: Consolidation Candidate?

The state entity's requirements and proposed technical solution (if any) will be evaluated by DIR during the coordination meeting. DIR will determine, with the assistance of the state entity, whether the planned expenditure is a candidate for the TSDC. If DIR determines the answer is no, then the state entity is not required to proceed with the proposal or waiver process. If DIR determines the answer is yes, then proceed to step 3. DIR will document the decision and provide copies to the state entity and the LBB.

STEP 3: State entity develops draft SOW and in-house costs.

Subsequent to meeting with DIR, the state entity will develop a comprehensive draft SOW to ensure all service level requirements and state entity costs are appropriately identified and documented. DIR staff will be available to assist the state entity with the development of the draft SOW.

The state entity will utilize the data center operations/resource utilization templates (Appendix B) to assist with development of the draft SOW and all associated in-house costs.

If this is a new project (no in-house cost history available), then cost calculations for implementing the draft SOW in-house will be documented. All in-house cost information shall be documented and reported using the appropriate templates and the project cost sheet in the summary statement of work (SSOW, Appendix C).

The draft SOW should adhere to the TSDC Master Contract negotiated by DIR. The standard service levels in the draft SOW should (at a minimum) use the minimum standard service levels (Appendix D) contained in schedule AA, and include verification of current state entity service levels.

STEP 4A: State entity submits in-house cost information and service level requirements to DIR.

The in-house cost information will not be provided to the service provider; however, the in-house cost information will be provided to DIR at the time the draft SOW is submitted to the service provider. Reasonable standards of confidentiality shall be maintained by state entities receiving the draft SOW and in-house cost information.

If the service levels in the draft SOW are higher than the standard minimum, the state entity will be required to provide justification to DIR during their validation of the service level requirements (step 5).

STEP 4B: State entity meets with service provider and submits draft SOW to service provider.

The state entity will schedule an initial meeting with the service provider. The draft SOW will be submitted to the service provider for informational purposes only. The service provider must submit questions to the state entity and DIR within ten business days after the initial meeting. The service provider may submit additional questions to support a collaborative effort.

STEP 5: DIR validates in-house cost information and service level requirements.

DIR will validate the cost information and service level requirements for reasonableness, accuracy and completeness. DIR may request the assistance of the LBB and SAO to validate the analysis of the costs and service level requirements. DIR will provide feedback to the state entity within 20 business days.

If the service levels in the formal SOW are higher than the standard minimum, the state entity will be required to provide justification to DIR during validation of the service level requirements.

STEP 6: State entity develops and submits formal SOW to service provider.

The state entity develops a formal SOW and submits the formal SOW to the service provider. The state entity will schedule a meeting with the service provider to discuss the formal SOW for development of a proposal within ten business days after submission of the formal SOW to the service provider.

STEP 7: Service provider develops proposal in response to the formal SOW.

The service provider is allotted 35 business days to develop the proposal in response to the formal SOW. The 35-day time period will begin the day the formal SOW is delivered to the service provider. DIR can allocate additional days for development of the proposal if DIR determines this is necessary.

STEP 8A: State entity and DIR conduct joint analysis of proposal.

Subsequent to delivery of the proposal, the state entity and DIR will jointly analyze the proposal against the formal SOW and state entity in-house cost. The joint analysis will be based on cost savings and performance improvements. DIR and the state entity will complete the joint analysis within ten business days from submission of the proposal.

Based on this joint analysis, the state entity and DIR will determine whether modifications to the proposal are required to best meet the formal SOW. If yes, then proceed to step 8B. If no, then proceed to step 9A.

STEP 8B: Proposal revision required?

If the state entity and DIR determine a revised proposal is necessary or appropriate, the state entity and DIR will schedule additional meetings with the service provider to review and discuss the proposed/required changes to the proposal. If changes to the formal SOW are appropriate, proposed or required, then the state entity shall modify the formal SOW and submit to the service provider within three business days of the meeting.

If the formal SOW is modified, then the service provider should submit the modified proposal within eight business days of receipt of the modified formal SOW.

When the proposal is finalized, then proceed to step 9A (negotiation).

STEP 9A: State Entity and DIR begin contract negotiations with service provider.

Start contract negotiations after proposal acceptance. Negotiations will cover all terms and conditions, development of the transition plan, and confirmation of final pricing.

STEP 9B: Negotiation complete?

When contract negotiations are complete, then the state entity and the service provider will execute a supplemental agreement and proceed with implementation or transition to the data center. If contract negotiations cannot be completed between the state entity and the service provider, then the state entity will proceed to step 10A.

STEP 10A: State Entity submits waiver request to LBB.

If subsequent to analysis of the service provider's final proposal, the state entity and DIR determine a waiver request to the LBB is appropriate, then the state entity and the service provider shall [each] develop a Summary Statement of Work (SSOW, Appendix C) document for submission to the LBB.

The state entity shall prepare a letter requesting and justifying a waiver from the LBB. DIR will also submit a recommendation letter and analysis information to the LBB.

If the state entity does not receive an approval or rejection notice from the LBB within 20 business days of the submission of its request, the state entity shall initiate follow-up communications to determine if additional information is required by the LBB. The state entity may also at this time provide additional justification for the waiver based on the necessity to meet new legislative, federal, or service delivery time commitments.

STEP 10B: Is the waiver approved?

If the waiver request is approved by the LBB, then the state entity proceeds with internal expenditures as submitted. If not approved, then proceed to step 11.

STEP 11: LBB provides direction to the state entity and DIR.

LBB will provide additional direction as required. This direction falls outside the scope of the service delivery guide.

Contract Preparation

Terms and Conditions

Contract terms and conditions will be based on the MSA. Exceptions to the MSA must be approved by DIR. The terms and conditions specified in Appendix A of the MSA apply. Any term or condition not specified in the MSA may be identified in the Schedule V of the entity-specific Schedule V.

Transition and Migration Plan or Implementation Plan

As specified in the MSA, the service provider will develop a transition and migration plan. This plan must be documented in accordance with Schedule H of the MSA and must be approved by the state entity. In addition, a detailed project plan will be developed by the service provider and approved by the state entity. This project plan will indicate the details and assign responsibility for all specific actions necessary to complete a smooth migration to the state data center. This detailed plan will be produced in MS Project.

When the service being contracted involves a new system or project, an implementation plan will be developed in lieu of a migration plan. The implementation plan will be a detailed plan developed using MS Project. The implementation plan will include sufficient detail to identify all necessary steps from beginning to completion, and also specify the responsibilities and timelines.

When a new project is proposed for a state entity that has an existing contract under the MSA, the Schedule N (New Projects) will be used for preparing the proposal for the new system.

Contract Review and Approval

Once the decision has been made to accept the service provider's proposed solution to secure services from the TSDC, DIR and the state entity will review the contract to ensure that all statement of work requirements are being provided for in the contract. Once this review is complete, DIR, the state entity and the service provider will meet for a final review of all terms and conditions, verify understanding, and execute an agreement.

The master contract between DIR and the current service provider expires on August 31, 2007.

Amendment number one of the master contract allows the existing service provider to enter into supplemental agreements with customers that extend beyond August 31, 2007. DIR anticipates that all new contracts executed under the current MSA will extend past

August 31, 2007. **There must be a clause in each contract specifying that the contract is assumable by DIR, or a provider specified by DIR.** The final supplemental agreement will consist of all schedules in the MSA.

Contract Administration

Transition Management

Following execution of the contract, the transition will be managed by the service provider in coordination with the state entity. The service provider and DIR will share responsibility for informing all TSDC existing customers of a new customer, and impacts if any, to those existing customers.

Service Level Performance Management

Failure of the service provider to meet the performance standards specified in the supplemental agreement will result in a Service Level Credit (SLC) to the state entity. Managing service levels will be a function of the service provider project manager in conjunction with the state entity project manager. When SLCs are due, the service provider will provide the financial credit to the state entity in the invoice for services not later than two full invoice cycles after the service level incident. In all cases where SLCs are due, the state entities will ensure credit is given and, as the holder of the MSA, DIR will monitor SLC management by the service provider.

Dispute Resolution Process

Any dispute between the state entity and the service provider with respect to the interpretation of any provision of the MSA, or with respect to the performance by the service provider or by the State, shall be resolved in accordance with Section 16.2 of the MSA.

Note: The MSA and supplemental schedules are available online at http://www.dir.state.tx.us/wtdroc/index.htm.

Any dispute between DIR and a state entity regarding this Service Delivery Guide process shall be resolved with DIR Service Delivery division management. If escalation is necessary, further discussions may be held between the executive management of DIR and the state entity.

Contact Information

Questions should be directed to:

Jimmy Jean, Contract Manager
Department of Information Resources
300 W. 15th Street, Suite 1300
Austin, Texas 78701
Phone: (512) 936-2082
Email: jimmy.jean@dir.state.tx.us

Tim Kennedy, Senior Analyst
Department of Information Resources
300 W. 15th Street, Suite 1300
Austin, Texas 78701
Phone: (512) 475-0420
Email: tim.kennedy@dir.state.tx.us

Quality Assurance

Satisfaction Survey

The service provider will conduct an annual customer satisfaction survey with each state entity. The survey must contain multiple questions that cover all aspects of service provided by TSDC. The service provider will conduct meetings with each state entity to review the results of responses to survey questions. Action items will be developed to address the survey questions where the average of all responses were less than satisfactory. Written reports will be provided to each state entity, and a summary report of customer satisfaction results for all state entities will be provided to DIR.

Auditing Requirements

Statement on Auditing Standards (SAS) 70 is an internationally recognized auditing standard developed by the American Institute of Certified Public Accountants (AICPA). SAS 70 is the authoritative guidance that allows service organizations to disclose their control activities and processes to customers and customers' auditors in a uniform reporting format. A SAS 70 audit will be completed annually. DIR and the service provider will share in developing the SAS 70 criteria with assistance from the TSDC Advisory Board.

Price Benchmarking

Annual, comparative benchmark-based analysis should be accomplished to help define price/performance metrics for the Service Delivery Guide. The benchmarking should provide a comparative analysis of the current outsourcing market and the current contract pricing. This analysis will be used to determine if the current pricing is competitive and to make recommendations for improving the service.

Revisions to this Service Delivery Guide

DIR anticipates this guide will be updated every 12 to 24 months. These updates will incorporate lessons learned from application of this guide, revised best practices and relevant legislative changes.

Appendices

Appendix A – Texas Government Code, Chapter 2055.061, State Data Center

Appendix B – Data Center Operations Resource Utilization Templates

Appendix C – Summary Statement of Work (SSOW) Guide

Appendix D – Minimum Standard Service Levels Established For State Data Center

Acknowledgments

State Agencies

Mike Fernandez, Texas Lottery Commission (TLC)

Donna Kahn, Texas Department of Criminal Justice (TDCJ)

Dale Krueger, Texas Education Agency (TEA)

Terry Casparis, Texas Health and Human Services Commission (HHSC)

Legislative Budget Board (LBB)

State Auditor's Office (SAO)

DIR Staff

Tim Kennedy, Service Delivery

Dustin Lanier, Strategic Initiatives

Jimmy Jean, Service Delivery

Rose Wheeler, Strategic Initiatives

Martin Zelinsky, Strategic Initiatives

Ruth Hooks, Service Delivery